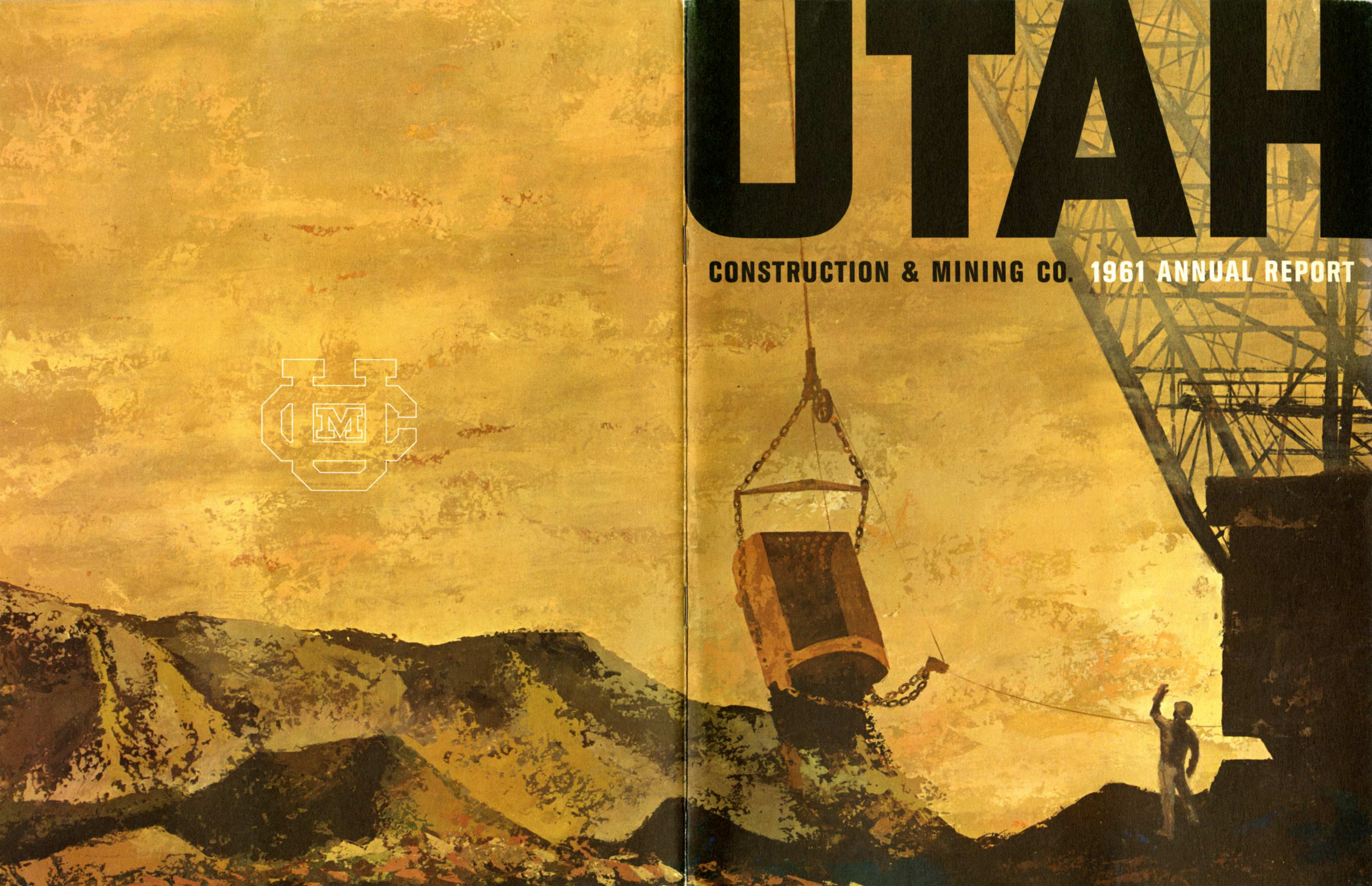


UTAH

CONSTRUCTION & MINING CO. 1961 ANNUAL REPORT

UTAH CONSTRUCTION & MINING CO. 1961

INDEX PAGE

THE YEAR IN BRIEF	1961	1960
Gross Revenue	$81,091,306	$69,179,046
Net Income After Taxes	9,774,151	9,134,687
Depreciation and Depletion	5,309,193	6,112,814
Earnings Per Share	4.63	4.33*
Cash Dividends Per Share	1.60	1.25
Stock Dividend	2%	2%
Book Value Per Share	$ 27.36	$ 24.33*
Net Worth	57,756,269	51,358,267
Long Term Debt	27,548,238	26,919,822
Net Working Capital	10,415,752	9,942,549
Net Fixed Assets	23,639,246	19,583,746
Common Shares Outstanding	2,110,647	2,069,883
Number of Shareholders	2,633	2,550
Number of Employees	11,000	10,000

* Adjusted to give effect to 40,764 shares issued in payment of 2 per cent stock dividend on August 4, 1961.

Utah's Head Offices have moved to new quarters in the 550 California Street Building, San Francisco

TO OUR SHAREHOLDERS:

On behalf of the Board of Directors we are pleased to announce that in 1961 for the third consecutive year earnings were at record levels. Consolidated earnings for 1961 were $9,774,151, or $4.63 a share, compared to last year's $9,134,687, or $4.33 a share based on the shares outstanding at the end of 1961.

Mining activities continue to contribute the major portion of earnings for your Company, although the results were below those of last year because of a decrease in uranium profits. Improved results from our construction and land development activities and price adjustments for prior years' construction work and dredging operations more than offset the decrease in earnings from mining operations. The provision for income taxes this year is in a higher ratio to net income than last year because of increased ordinary income and lower tax depletion.

A quarterly dividend of $.30 a share was paid for each of the first three quarters and was increased to $.35 for the fourth quarter. In addition, an extra $.35 dividend was paid at the year end, bringing the total cash dividends for the year to $1.60, an increase of $.35 a share over the prior year. Again in 1961 a 2 percent stock dividend was paid in August.

The financial condition of your Company remains strong. Net working capital of $10,415,752 is adequate for our needs at this time. In February 1961 a new loan agreement was negotiated with The Prudential Insurance Company of America for the principal amount of $20,000,000 and a term of 20 years. The bank term loan credit line was accordingly reduced to $5,000,000. This combination permits a more orderly debt retirement program. Consolidated net worth increased by $6,398,002 to $57,756,269 from retention of earnings. The net book value of your stock at year end was $27.36 compared to $24.33 at the end of the prior year.

Our mining operations continue to be very satisfactory. Profits from iron ore were the leading source of consolidated earnings and show little change from the previous year. Domestic iron ore earnings were slightly below those of last year, while the earnings from overseas iron ore increased. However, earnings from uranium mining and milling declined from the preceding year. Excellent progress was made in reducing operating costs for the mining and milling of the uranium ores owned or controlled by the Company. A substantial part of the difference in uranium earnings was caused by the additional cost to purchase and process ores produced by others as required in our contract with the Atomic Energy Commission. The purchase of outside ores has been an obligation under our A.E.C. contract from its inception, but during 1960 we were allowed to substitute our own lower cost ores to supply the deficiency caused when offerings from outside mines were below the scheduled amount.

Development of a 25,000-acre strip coal mine on the Navajo Indian Reservation is on schedule and deliveries of coal to the first 350,000 KW installation for Arizona Public Service Company are expected to begin in approximately one year. Utah has signed a 35-year contract to provide fuel requirements for this facility.

Expansion programs are under way by the Company's two mining affiliates, Marcona and Pima. At Marcona the $22,000,000 program begun in 1960 has been expanded to $42,000,000 and should be completed by the end of 1962. At Pima a $4,000,000 program is under way to process low grade reserves and extend the life of the mine.

Earnings from ore sales and ocean shipping were lower despite the higher tonnages of iron ore sold and shipped. Continued downward pressure on ocean charter rates narrowed profit margins. However, the long term outlook remains favorable and San Juan Carriers, Ltd., our shipping affiliate, has started construction of two 67,500-ton ore-oil carriers and has contracted for a third.

Gross profits from our construction activities were the highest in the Company's history. This record was made possible by price adjustments carried over from prior years' construction work coupled with satisfactory earnings from current operations which were conducted at the second highest rate that we have ever enjoyed. New work acquired during the year exceeded the volume of work performed during the year, giving us a modest improvement in our backlog. Utah-Manhattan-Sundt, a joint venture sponsored by your Company, was honored by the U. S. Corps of Engineers at a ceremony at Salina, Kansas, and presented with a special Certificate of Appreciation for being the first contractor to finish the work on an Atlas F Missile Launching Complex ahead of schedule, the first to avoid any work stoppage, and the first to complete an Atlas F site.

At year end your Company was a participant in many construction projects in eleven countries on five continents throughout the world with the largest amount of overseas activity being centered in the growing Australian market where Utah maintains a separate and complete construction and engineering organization. The construction industry here and abroad continues to be characterized by intense price competition and this condition is expected to persist until the capacity to perform work is in better balance with the work available. Under the circumstances care is being exercised in the selection of contracts and the assumptions of risks.

Japan Industrial Land Development Co., Ltd., formed by a number of prominent Japanese firms and in which we will have a stockholder interest, plans to engage in land reclamation and hydraulic dredging in Japan. It has leased Utah's Dredge ALAMEDA under a five-year agreement. In addition, it has purchased from us plans for the construction of a dredge in Japan similar to the ALAMEDA. We are being called upon to perform services on a fee basis during the early phases of the projects on which the new dredge will be engaged.

Earnings from our land development activities were modest but considerably improved over those of the prior year. However, these investments in real property are long-range in nature and the results from any single year are not especially significant, for current results may be depressed in one year by expenditures made for the benefit of earnings in future years. Our total investment in land development remains little changed as the purchase of a discount store in San Jose, California, and the development of a 196-acre industrial tract at El Segundo, California, offset the reduction due to sales from existing properties.

Continued good labor relations were experienced at all of the Company's locations. At year end there were approximately 11,000 employees of Utah around the world, and among these there was only one work stoppage during the year for five days affecting 424 people.

After 30 years of active service with the Company Mr. A. D. Christensen retired as President and Director, and effective October 1, Mr. E. W. Littlefield, formerly Executive Vice President and General Manager, was elected President and General Manager. Mr. A. L. Reeves, Senior Vice President, was elected to fill the vacancy on the Board and was appointed a member of the Executive Committee.

We enter the next year with long-term sales contracts for iron ore and uranium oxide, construction work obtained at reasonable prices, a larger backlog, a long-term dredge lease agreement in Japan, and land for sale purchased in earlier years at favorable prices. These factors combined with an organization which has demonstrated its skill and loyalty should more than offset the absence of non-recurring gains such as claims and price adjustments. Therefore, with the continued co-operation of our employees, guidance of our Board, and support of our shareholders, we feel confident that the Company will make progress in the future.

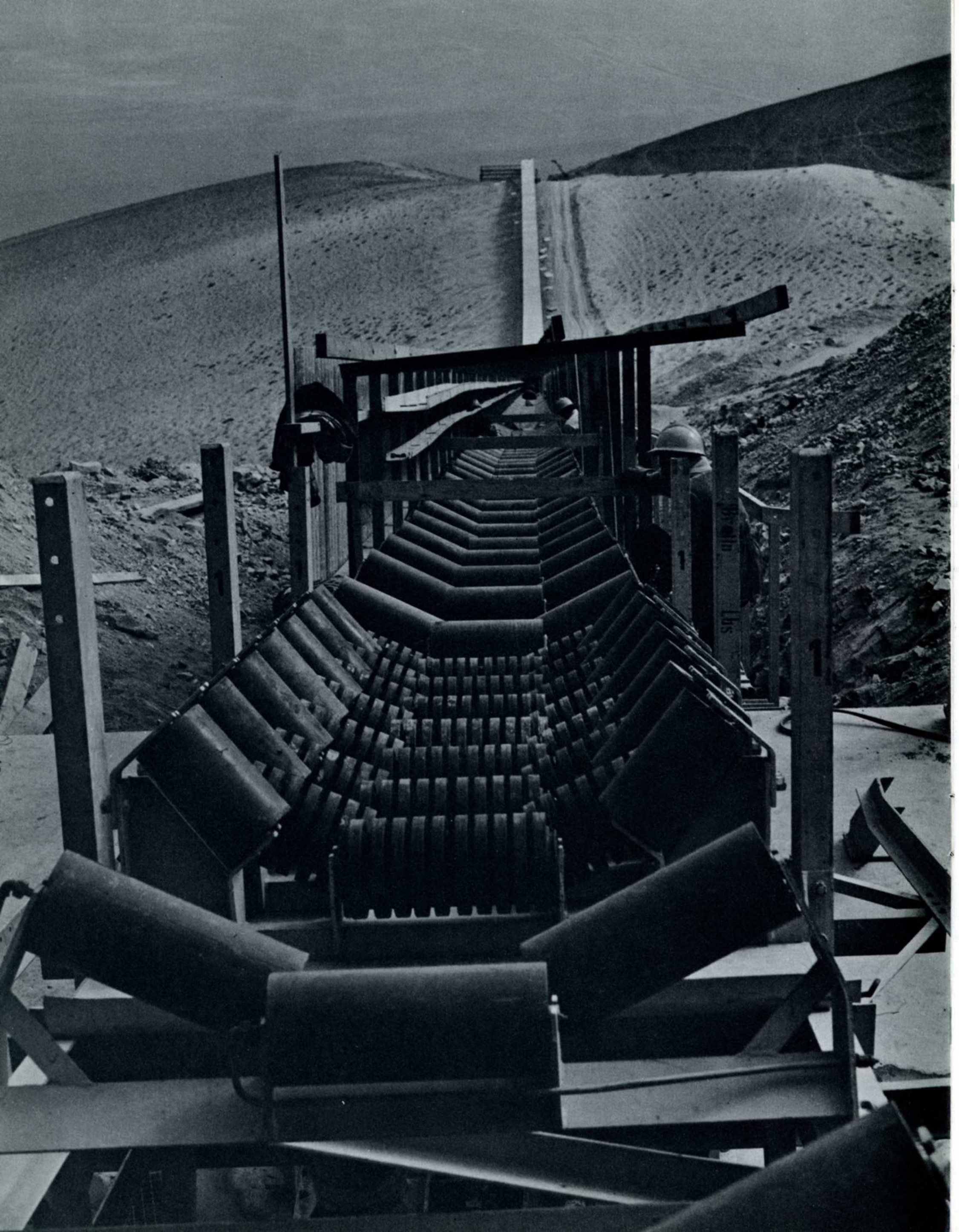
Sincerely,

Marriner S. Eccles

MARRINER S. ECCLES
Chairman of the Board

E W Littlefield

E. W. LITTLEFIELD
President and General Manager

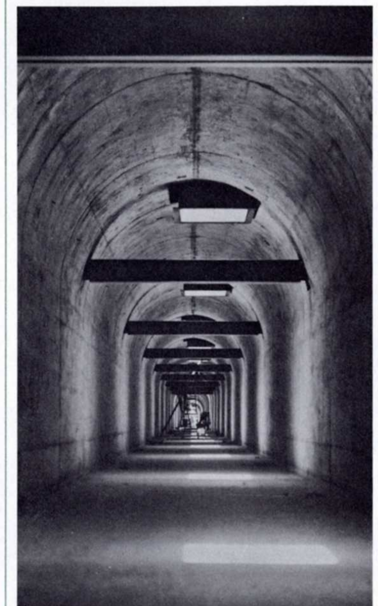


Marcona's iron ore shipments of 4,238,000 tons would fill a freight train 450 miles long. Stated differently, this iron would produce all the steel going into 4,000,000 "compact" automobiles, over twice the number manufactured in the United States last year.

DESCRIPTION OF OPERATIONS

Utah's activities consist of three basic types of operation: Construction, Land Development and Mining. The Company's origin over 61 years ago was in construction and its entry into mining and land development was a natural outgrowth of this experience. Mining has become the largest contributor to profit. The objective for mining is to emphasize the extraction of basic raw materials from deposits where adequate profit margins and return on investment can be obtained, preferably by low-cost strip mining whereby large-scale earth-moving techniques learned by your Company in its many years of experience in construction can be utilized. The minerals mined are iron ore, coal, uranium and copper.

IRON ORE Your Company mines its domestic iron ore at the Iron Springs mine near Cedar City, Utah, the output of which is contracted for by the Columbia-Geneva Division of United States Steel Corporation. During the year your Company built and brought into operation an iron ore beneficiation plant at the Iron Springs mine. This plant will permit better utilization of the ore reserves. The Company continues its contract mining operations in the Cedar City district.



Reclaim Tunnel, San Nicolas

Through its 50% voting and 41¼% equity in Marcona Mining Company operating in Peru, your Company has a substantial interest in the international iron ore market. Marcona had an excellent year and earned the highest profit in its history, and your Company's equity in the earnings of Marcona for the 12 months ended October 31, 1961, after making allowances for taxes on distribution, is $2,771,109. Construction is well along on the beneficiation plant and other facilities in connection with the program to expand production at Marcona. This upgrading and expansion program has now been increased from $22,000,000 to $42,000,000 and will make possible marketing of premium products.

During the year ending October 31, 1961, 4,238,000 tons of Marcona iron ore were shipped to markets in North and South America, Europe and Japan. This is the largest volume that has ever been shipped by Marcona. Moreover, current plans call for even larger shipments in the future.

COAL A new coal mine is being opened by Utah at the Four Corners section of New Mexico, near Farmington. Your Company

Section of Downhill Conveyor, Marcona Mines

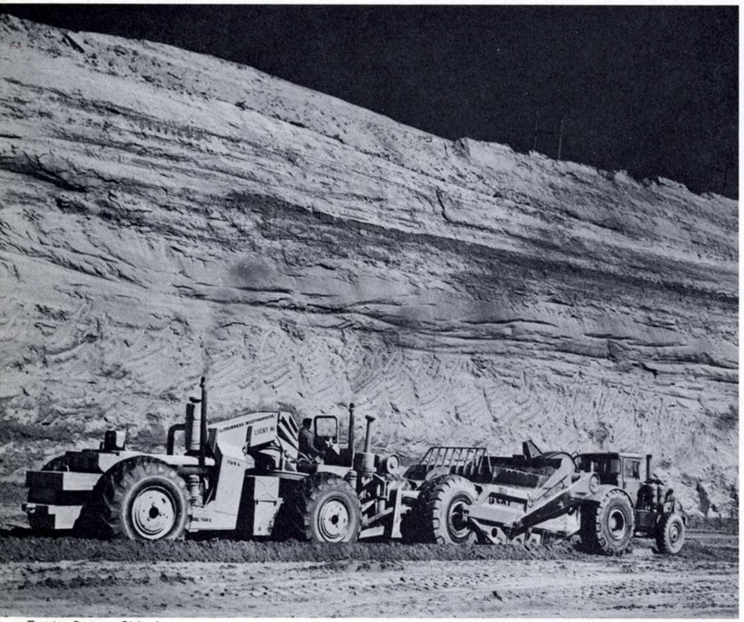
Blasting Shot, Cedar City

found and developed the 25,000 acres containing more than 400,000,000 tons of mineable coal leased from the Navajo Indian Tribe. Utah has contracted with Arizona Public Service Company to supply fuel for its initial 350,000 KW generating plant at the mine site for 35 years. Arizona Public Service Company has options which it may exercise to extend the term an additional 15 years and to increase the generating capacity to 800,000 KW. Developed coal reserves are more than ample to cover the options should the generating capacity be expanded sooner than anticipated. This possibility of earlier expansion will be determined by the electricity needs of the growing southwestern market, particularly Arizona and Phoenix.

URANIUM The Lucky Mc open pit mine and mill in the Gas Hills district of Wyoming and the underground Shirley Basin mine 80 air miles away are producing their uranium allocation contracted for by the Atomic Energy Commission through 1966.

Progress at both locations is taking the form of improving operations with positive results yielding lower costs and higher utilization of ores. While the magnitude and character of the post-1966 market cannot yet be determined, your Company will be in an

Open Pit Operations, Lucky Mc



Tractor-Scraper Stripping

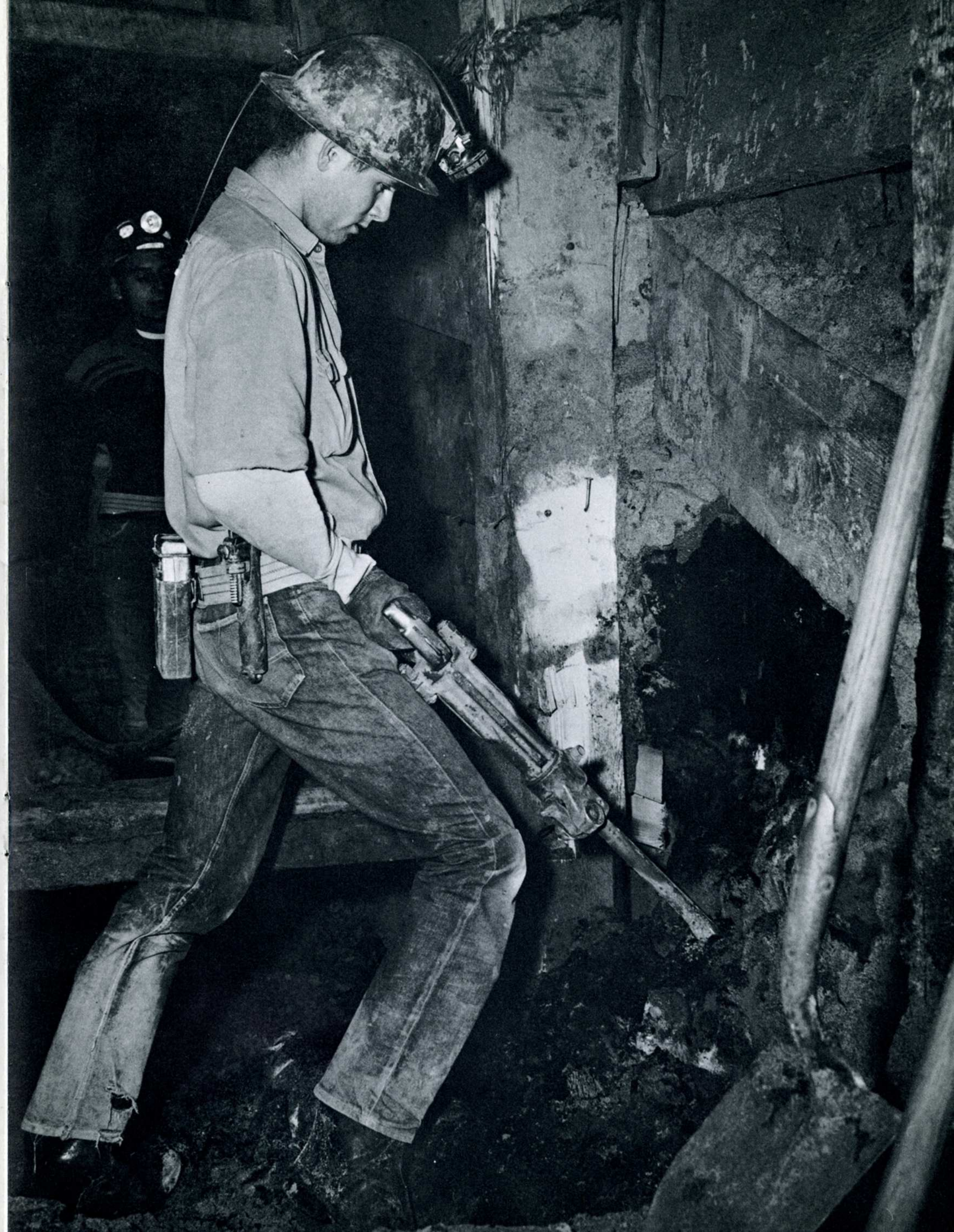
excellent competitive position, for Utah has one of the lowest cost operations in the United States and substantial ore reserves will still be in the ground. Profit contribution was not as high in 1961 as in the prior year because outside mines supplied their share of ore this year, and your Company was limited to its own contract allocation.

COPPER Utah's copper interest is through its 25% ownership in Pima Mining Company, near Tucson, Arizona. Your Company's equity in Pima's 12 months earnings ended October 31 is $323,092 after allowance for distribution taxes. The life of Pima will be extended as a result of a 4-million-dollar program to enlarge operations and utilize lower grade ore.

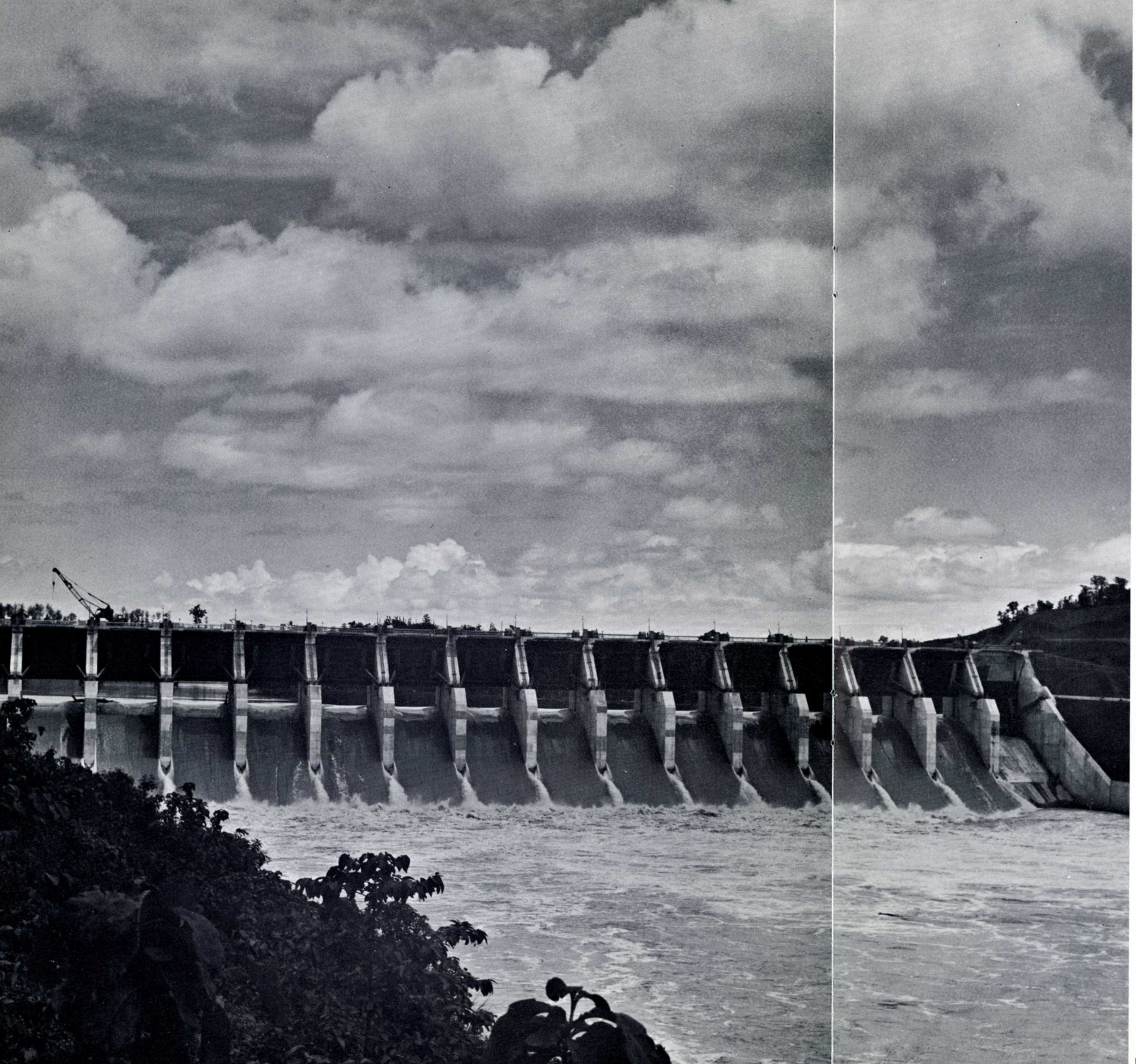
MINERAL DEVELOPMENT AND GEOLOGY Expenditures for Mineral Development and Geology amounted to $1,444,751. It is vital to a successful mining company that it constantly replace and expand assets that are continually being depleted. Through this function it is believed that additional mining opportunities will be found and explored, and major emphasis continues to be directed toward obtaining properties containing basic minerals. Active prospecting is under way in the continental U.S., Alaska, Canada and Australia. Also, consideration is given to other nations that have a favorable investment climate. The Company constantly reviews technical advances in many fields for application to its own activities. An example is the increased research toward a more effective means of discovering concealed ore deposits through the development of new techniques of observation and interpretation of geological and geophysical data.

Development of the Dayton deposit shows that this is a very significant addition to our domestic iron ore reserves. Negotiations are under way to sell this ore under a long-term contract.

OCEAN SHIPPING AND ORE SALES Cia. San Juan S.A., an affiliate in which your Company has a 50% voting and 41¼% equity position, has an exclusive export sales contract for Marcona's iron ore, which it markets throughout the world. Its subsidiary, San Juan Carriers, Ltd., owns an ore fleet of six ships totaling approximately 200,000 dead-



Underground Mining, Shirley Basin



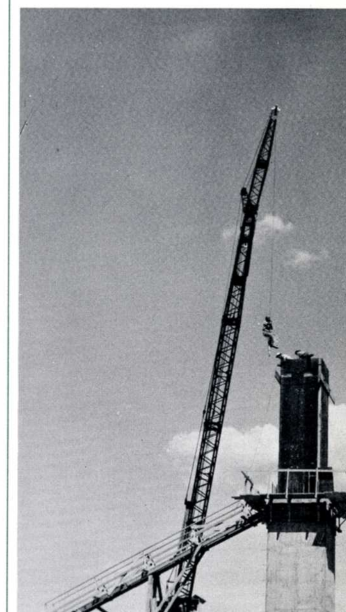
Karnafuli Multi-Purpose Dam, East Pakistan

weight tons. With the completion of three new ships of 67,500 tons each, now under contract or construction, it will have doubled its total capacity to approximately 400,000 tons. Supplementing its six ships, Cia. San Juan chartered 48 other ships during the year and with this combination moved 33 billion ton-miles of iron ore and other bulk cargoes throughout the world.

Your Company's share of Cia. San Juan's twelve months earnings ended October 31, was $1,497,284, after allowance for distribution taxes. Earnings this year were lower than last year due to downward pressure on ocean freight rates and world iron ore prices; however, future prospects remain favorable.

CONSTRUCTION Construction operations continue to be carried out on a broad scale from the standpoint of both scope of work and geographic location. At year end 10,000 people were employed on projects and activities in eleven countries throughout the world. These operations included large scale missile bases, airport facilities, multi-story buildings, underground defense center, a variety of commercial structures, hydroelectric dams, tunnels, and power houses in the United States; metallurgical plants, refinery and hydroelectric dam in South America; a

When fully loaded the new ore ships being built for San Juan Carriers weigh half again as much as a World War II battleship, and more than the largest aircraft carriers afloat today.



Erecting Cooling Tower, Four Corners Project

Utah's Australian subsidiary completed a 10½-mile tunnel five months ahead of schedule and broke the world tunneling record when 590 feet was excavated in one shift in a six-day work week.

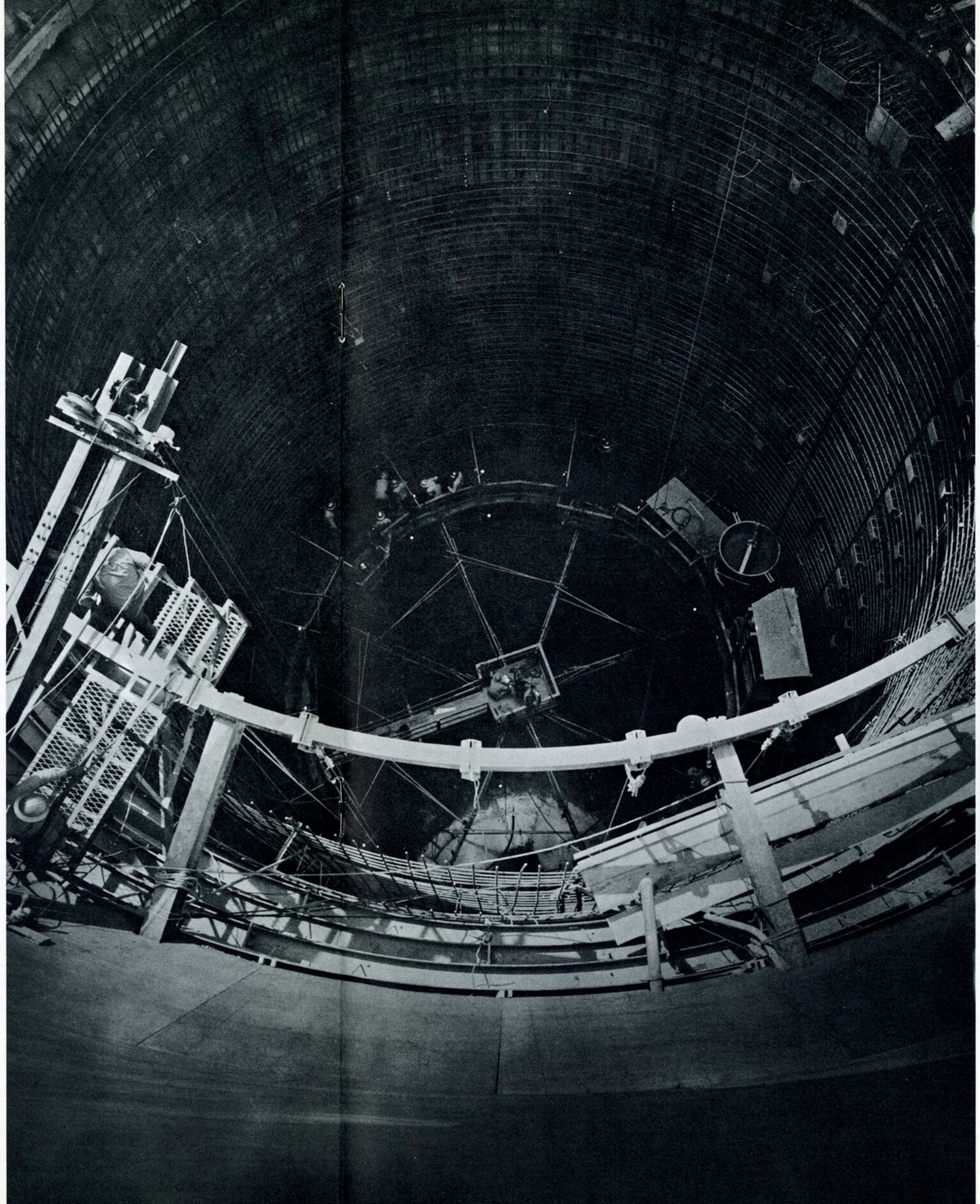
King Street Bridge and Approaches, Melbourne, Australia

railroad in Africa; multi-purpose dams in East Pakistan and Thailand. In Australia a complete construction organization is engaged in a full range of operations including industrial and commercial buildings, bridges, waterfront facilities, tunnels, dams and power plants.

Substantially higher earnings were achieved this year compared with last year as gross profits from construction operations reached an all-time high. Construction volume put in place was the second highest annual mark in our history. Despite this activity level, our construction backlog at year end had increased by 9% over last year, resulting from the receipt of new awards which totaled the third highest in our history. All of the major claims pending on completed construction contracts, including the St. Lawrence Seaway projects, were settled during the year.

DREDGING The ALAMEDA and FRANCISCAN are two of the largest and most modern hydraulic dredges in the world today, and they are particularly suited for working with hard material that must be excavated and transported great distances in large volumes.

This year two important agreements have been reached with private interests in Japan. One agreement provides for the sale of the



Under reasonably good conditions the ALAMEDA can dredge and pump enough material in one day to cover a football field to a depth of 25 feet.

Dredge Alameda Enroute Through The Panama Canal

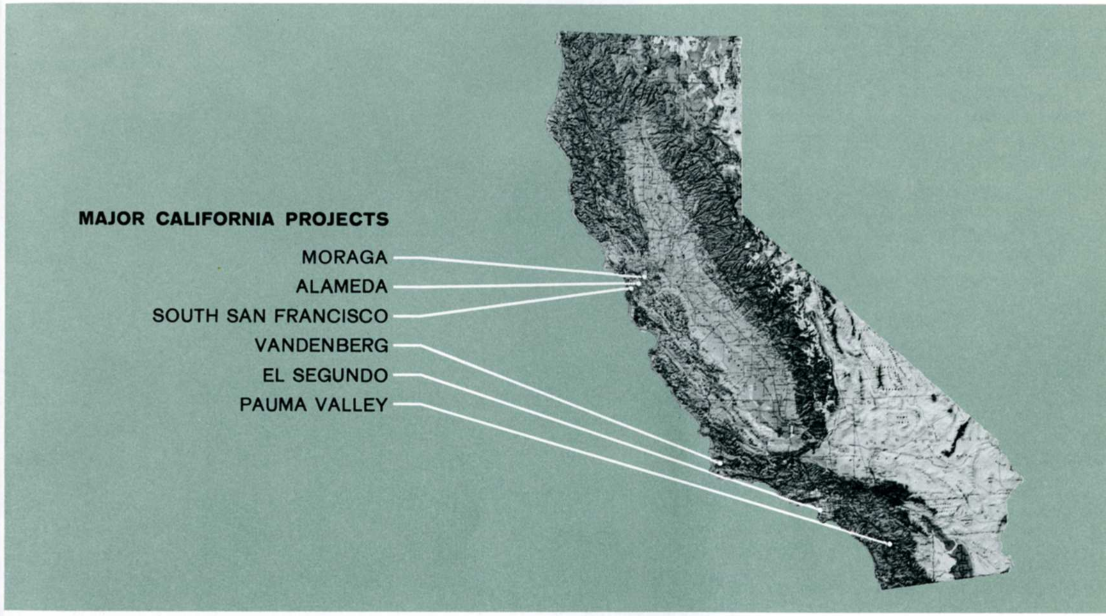
Underground Missile Silo, Salina, Kansas

dredge plans for the ALAMEDA along with technical assistance required for the development being undertaken by Japan Industrial Land Development Co. The other agreement resulted in a five-year lease of the ALAMEDA itself to this newly organized company, and it is already at work. Your Company is optimistic about the opportunities for land reclamation and harbor development of many of Japan's growing industrial cities which are particularly suited to high-volume hydraulic dredging operations.

Dredging earned a modest profit this year compared with a loss for last year, due mostly to the receipt of a substantial claim for work performed last year in the Delaware River. During the past 12 months the FRANCISCAN and a leased dredge, the PALMER, performed work satisfactorily on the Redwood City harbor, the San Leandro small craft harbor, and the Sacramento river barge canal.

LAND DEVELOPMENT Utah's principal land development activities are based upon the philosophy of creating higher value from strategically located but currently unused land. Using its substantial earth-moving facilities and experience to improve these lands by clearing, grading and sometimes filling, the Company has sought to benefit from the

Dredge Pipe Laying with Helicopter



increased value which has resulted. Such developments are undertaken either continuously to completion or in planned stages depending upon anticipated current demand and construction economy.

These activities continue to be concentrated in California and the major projects under current development are:

MORAGA

In the Moraga Valley, near Oakland, the Company continues its gradual development of over 5000 acres for residential development with 4165 acres remaining to be sold at year end. The residential expansion of San Francisco's East Bay and its proximity to major freeway developments to the region's major cities should provide a continuing impetus for this development.

VANDENBERG

Vandenberg Village with 1235 acres for sale at year end is adjacent to one of the country's major missile test centers, Vandenberg Air Force Base. Developed as an integrated residential community, complete with schools, shopping center, motel, and a golf course, its continued progress is related to the activity at this important expanding space and defense center.

Alameda South Shore Development

ALAMEDA

Created by dredging from San Francisco Bay, this East Bay residential and commercial community of 278 acres continues to be developed with additional improvements as demand requires. At year end 146 acres remain to be sold. Increased interest and construction activity in terms of multiple family units has resulted in our application for rezoning areas for this type of development.

SOUTH SAN FRANCISCO

The major work in this three-section industrial development has been completed. Located in the heart of the expanding industrial and commercial growth on San Francisco's Peninsula, this project had 115 acres of developed land for sale at year end.

EL SEGUNDO

A new acquisition during the year was the El Segundo industrial property. Located near the Los Angeles International Airport and in the midst of this area's growing electronics, aircraft, missile and space industries, the project contains a total of 196 acres, of which

Vandenberg Development Near Major Missile Test Center

147 acres are under current development for sale.

PAUMA VALLEY

1451 acres are being held for future development and sale in this project. Planned as a residential-recreational facility, this community is located about midway between Los Angeles and San Diego, one of the nation's fastest growing regions.

In addition, we continue to retain our ownership interest in certain improved properties and facilities distributed elsewhere throughout the United States and in Canada. Land development activities, in total, produced profits which were modest, but improved over 1960 results.

In review, our diversified operations have contributed to the Company's continuing trend of profit growth with substantial increases in one segment more than offsetting temporary lower results in others. The factors which have contributed to your Company's stability and growth should also operate in the periods to come.

South San Francisco Industrial Park

FIVE YEAR COMPARISONS (CONSOLIDATED) YEAR ENDED OCTOBER 31,

	1957	1958	1959	1960	1961
Gross Revenue	$55,519,848	$62,080,577	$75,072,287	$69,179,046	$ 81,091,306
Net Income					
Before Federal and Foreign Taxes	7,267,954	6,546,399	10,722,137	11,239,687	13,167,151
After Federal and Foreign Taxes	5,421,954	4,758,399	8,362,137	9,134,687	9,774,151
Dividends Paid—Cash	—0—	712,210	2,229,951	2,496,702	3,376,149
Securities, at market value	1,586,693	1,388,810	—0—	—0—	—0—
Capital Stock	—0—	—0—	—0—	2%	2%
Net Increase in Shareholders' Equity	5,991,788	3,972,633	6,411,686	6,610,226	6,398,002
Common Stock					
Shares Outstanding	2,023,058	2,023,058	2,029,858	2,069,883	2,110,647
Number of Shareholders (Utah Construction & Mining Co. only)	438	439	732	2,550	2,633
Working Capital	$10,517,000	$ 9,455,000	$ 9,232,607	$ 9,942,549	$ 10,415,752
Shareholders' Equity					
Net Worth	34,364,497	38,336,355	44,748,041	51,358,267	57,756,269
Book Value Per Share	16.28	18.16	21.20	24.33	27.36
Earnings Per Share	2.58	2.26	3.96	4.33	4.63
Long Term Debt	22,548,000	26,854,000	30,439,561	26,919,822	27,548,238
Total Assets	74,681,000	83,184,000	92,345,928	93,747,407	105,828,510

NOTE: Shares outstanding for the years 1957, 1958, 1959 have been adjusted to give effect to 242,533 shares issued on February 1, 1960, as a consequence of merger with Lucky Mc Uranium Corporation. Also adjustment has been made in calculating earnings and book value per share for the 2% stock dividends paid in 1960 and 1961. Consolidated working capital, long term debt, and total assets amounts for the years 1957 and 1958 are unaudited.

CONSOLIDATED BALANCE SHEETS OCTOBER 31, 1961 AND 1960

Assets

	1961	1960
CURRENT ASSETS:		
Cash	$ 2,348,882	$ 3,365,398
Marketable securities, at cost, which approximates market	3,275,134	2,146,500
Accounts and notes receivable from operations	11,543,789	9,485,454
Inventories, at the lower of cost or market—		
Stockpiled mine production	2,264,079	2,043,225
Construction in progress and supplies	2,700,309	2,218,363
Prepaid expenses	953,472	902,530
Total current assets	$ 23,085,665	$20,161,470
INVESTMENTS:		
Affiliated companies (Note 1)	$ 22,270,632	$18,597,431
Equity in joint ventures	3,280,135	4,042,853
Land and real estate—		
Land held for development and sale	14,238,276	13,489,363
Land held for investment	2,451,442	2,551,530
Improved real estate held for investment less accumulated depreciation of $975,905 in 1961 and $624,558 in 1960	10,025,363	7,332,300
	$ 52,265,848	$46,013,477
OTHER ASSETS:		
Long-term receivables	$ 5,342,807	$ 6,073,434
Other	1,494,944	1,915,280
	$ 6,837,751	$ 7,988,714
CONSTRUCTION AND MINING EQUIPMENT AND FACILITIES, at cost:		
Construction equipment and facilities	$ 19,906,088	$16,142,754
Mining lands, leases and development costs	6,840,057	5,894,024
Mining equipment and facilities	18,246,437	17,549,419
	$ 44,992,582	$39,586,197
Less—Accumulated depreciation and depletion	21,353,336	20,002,451
	$ 23,639,246	$19,583,746
	$105,828,510	$93,747,407

Liabilities and Stockholders' Equity

	1961	1960
CURRENT LIABILITIES:		
Current portion of bank loans, notes and contracts payable	$ 2,090,579	$ 2,885,154
Accounts payable	6,045,120	4,362,116
Accrued liabilities	3,461,484	2,620,159
Accrued Federal income taxes	1,072,730	351,492
Total current liabilities	$ 12,669,913	$10,218,921
LONG-TERM LIABILITIES:		
5¾% notes payable to insurance company, due in varying installments from February 1, 1966 to 1981 (Note 2)	$ 20,000,000	$ —
Bank loans—		
Term loan	—	19,000,000
Other bank loans, partially secured by improved real estate	1,500,000	2,375,918
Notes and contracts payable, due in variable annual installments to 1977	6,048,238	5,543,904
Deferred income taxes	6,332,768	3,267,107
Reserve for Employees' Retirement Plan based on Profit Sharing	299,511	290,062
Other	1,221,811	1,693,228
	$ 35,402,328	$32,170,219
STOCKHOLDERS' EQUITY (Note 2):		
Capital stock, par value $2 per share—		
Authorized—10,000,000 shares (10,250 shares reserved for issuance under Employees' Stock Purchase Plan)		
Issued and outstanding—2,110,647 shares in 1961 and 2,069,883 shares in 1960	$ 4,221,294	$ 4,139,766
Capital surplus (Note 3)	5,625,043	3,403,405
Earned surplus	31,231,135	30,607,000
Equity in undistributed earnings of affiliates (Note 1)	16,678,797	13,208,096
Total stockholders' equity	$ 57,756,269	$51,358,267
	$105,828,510	$93,747,407

The accompanying notes are an integral part of these balance sheets.

STATEMENT OF CONSOLIDATED INCOME FOR THE YEARS ENDED OCTOBER 31, 1961 AND 1960

	1961	1960
INCOME:		
Gross revenue from operations (Note 4)	$81,091,306	$69,179,046
Costs and expenses	70,304,636	61,411,234
Gross profit from operations	$10,786,670	$ 7,767,812
Equity in income of affiliates (Note 1)	5,969,130	5,788,715
Joint ventures (Note 4)	1,974,808	1,533,853
Gain on sale or liquidation of investments	297,067	450,520
Gain on sale of property	101,747	583,739
Interest	438,988	865,903
Other	34,762	401,900
	$19,603,172	$17,392,442
EXPENSES:		
General and administrative	$ 3,738,151	$ 3,806,017
Employees' retirement-plan provision	744,000	680,000
Interest	1,953,870	1,666,738
	$ 6,436,021	$ 6,152,755
NET INCOME BEFORE FEDERAL AND FOREIGN INCOME TAXES	$13,167,151	$11,239,687
PROVISION FOR FEDERAL AND FOREIGN INCOME TAXES	3,393,000	2,105,000
NET INCOME	$ 9,774,151	$ 9,134,687

STATEMENT OF CONSOLIDATED EARNED SURPLUS AND EQUITY IN UNDISTRIBUTED EARNINGS OF AFFILIATES FOR THE YEAR ENDED OCTOBER 31, 1961

	Earned Surplus	Equity in Undistributed Earnings of Affiliates
BALANCE OCTOBER 31, 1960	$30,607,000	$13,208,096
ADD:		
Net income—$9,774,151	$ 4,920,291	$ 4,853,860
Dividends, net of income taxes, from affiliates	1,383,159	(1,383,159)
	$ 6,303,450	$ 3,470,701
DEDUCT—DIVIDENDS:		
Cash	$ 3,376,149	$ —
Stock—40,764 shares of capital stock valued at $56.50 per share paid as a 2% stock dividend	2,303,166	—
	$ 5,679,315	$ —
BALANCE OCTOBER 31, 1961	$31,231,135	$16,678,797

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements include the accounts of Utah Construction & Mining Co. and all subsidiary companies, after elimination of significant intercompany items and transactions. In addition, the statements reflect Utah's equity in the earnings of affiliated companies in which Utah does not have a majority interest. Estimated income taxes payable on such earnings when distributed have been provided in the accompanying financial statements. The equity in the earnings of these affiliates has been computed based upon the reports submitted by the respective companies, some of which are unaudited.

The composition of Utah's investment in affiliated companies at October 31, 1961, is shown below:

Equity in undistributed earnings of affiliated companies, before allowance of $3,985,057 for taxes on distribution	$20,663,854
Cost of investment	1,606,778
Total investment	$22,270,632

2. The company has an agreement dated February 17, 1961, with The Prudential Insurance Company of America which provides in part that stockholders' equity will not at any time be less than $25,000,000.

3. The increase in capital surplus of $2,221,638 in 1961 resulted from the capitalization of the excess of the value assigned to 40,764 shares of capital stock ($56.50 per share) over the par value ($2.00 per share) paid as a 2% stock dividend.

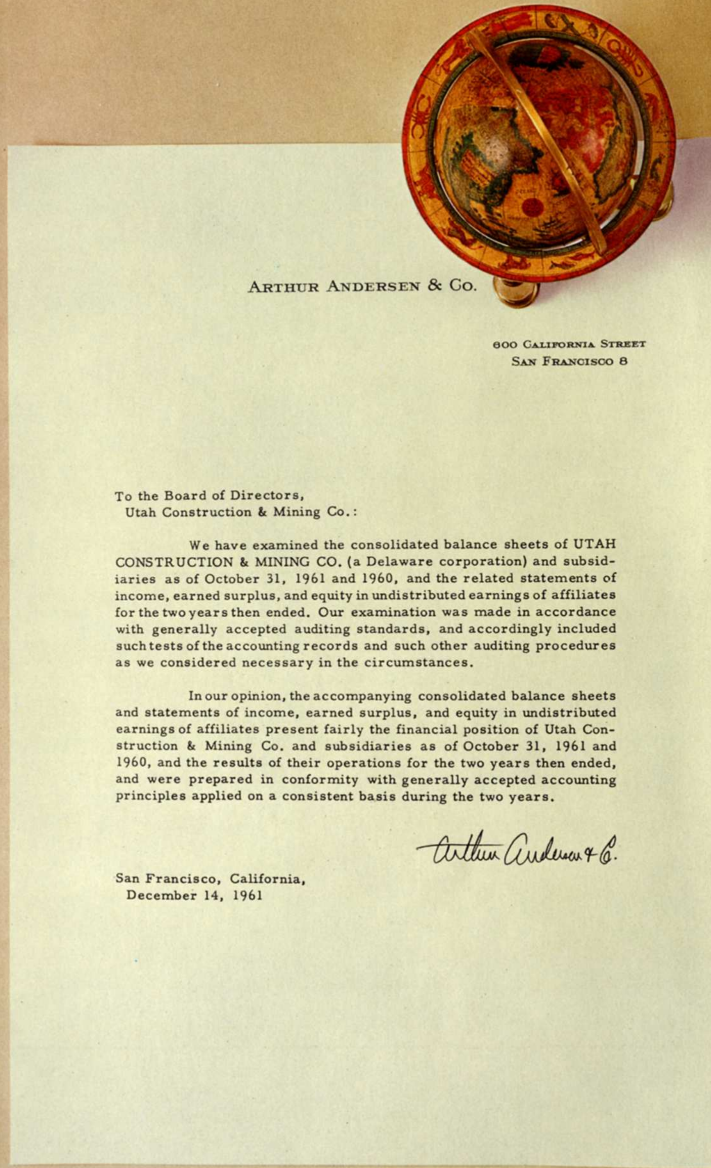
4. Major construction contracts may extend over a period of years. Accordingly, the company reports income from its construction contracts on a percentage-of-completion basis, reflecting in each accounting period the applicable portion of the total estimated profit on each contract. The company's share of profits and losses from joint-venture construction contracts is reported in the same manner, based upon reports submitted by the respective joint ventures, some of which are unaudited. Proceeds from claims against owners, or price adjustments arising out of construction contracts, are recorded in the year such claims or adjustments are resolved; these amounted to $982,000 in 1961, and $271,000 in 1960 (net of applicable Federal income taxes).

5. The company was contingently liable at October 31, 1961, for obligations of certain affiliated companies totaling approximately $1,700,000. In 1958 the company entered into a long-term lease agreement for equipment requiring payments of approximately $420,000 annually for a now remaining period of 12 years.

6. The accompanying statement of consolidated income includes the following charges for depreciation and depletion:

	1961	1960
Depreciation	$4,837,114	$5,427,120
Depletion	472,079	685,694
Total	$5,309,193	$6,112,814

Included in depletion is $292,411 in 1961 and $378,386 in 1960 for amortization of mineral development costs. In its Federal income tax returns, the company has deducted such costs as incurred, while capitalizing them in its accounts. The resulting reduction in Federal income tax payments has been credited to deferred taxes and is being applied against taxes payable during the period of amortization of the related costs.


ARTHUR ANDERSEN & CO.

600 CALIFORNIA STREET
SAN FRANCISCO 8

To the Board of Directors,
Utah Construction & Mining Co.:

We have examined the consolidated balance sheets of UTAH CONSTRUCTION & MINING CO. (a Delaware corporation) and subsidiaries as of October 31, 1961 and 1960, and the related statements of income, earned surplus, and equity in undistributed earnings of affiliates for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of income, earned surplus, and equity in undistributed earnings of affiliates present fairly the financial position of Utah Construction & Mining Co. and subsidiaries as of October 31, 1961 and 1960, and the results of their operations for the two years then ended, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

Arthur Andersen & Co.

San Francisco, California,
December 14, 1961

TRANSFER AGENTS

First Security Bank of Utah, N.A., Salt Lake City, Utah
Crocker-Anglo National Bank, San Francisco, California

ANNUAL MEETING

Friday preceding the third Monday of January
at San Francisco, California.